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Statement for the Record

Hearing on
Price Transparency in the Health Care Sector
in the
Subcommittee on Health
of the
Ways and Means Committee
of the
U.S. House of Representatives

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The American Hospital Association (AHA), on behalf of our 4,800 member hospitals, health care systems and other health care organizations, and our 35,000 individual members, appreciates the opportunity to submit a statement for the record regarding price transparency in the health care field.

President Bush, during his address May 1 at the AHA Annual Membership Meeting, said he is committed to providing patients with reliable information about prices and quality on the most common medical procedures. He said – and we agree – "By increasing transparency, the idea is to empower consumers to find value for their dollars and to help patients find better care and to help transform this system of ours to make sure America remains the leader in health care." At the same time, President Bush announced that he had directed the Department of Health and Human Services to make Medicare data publicly available on the Internet by June 1.

And on June 1, the Centers for Medicare & Medicaid Services took the first step for the federal government by posting information on what Medicare pays for 30 common elective and scheduled procedures and other hospital admissions. These data show the range of payments for fiscal year 2005 by county and the number of cases treated at each hospital for a variety of treatments, including heart operations, implantation of cardiac defibrillators, hip and knee replacements, kidney and urinary tract operations, and other procedures.

The AHA and its members believe that consumers deserve helpful information about the price of their hospital care, and are committed to providing it. Sharing meaningful information, however, is incredibly challenging because hospital care is unique. A gall bladder operation for one person may be relatively simple, but for another patient could be fraught with unforeseen complications, making any "up front" pricing of limited value. Hospital prices also reflect the added costs of hospitals' public service role – like fire houses and police stations – in serving the essential health care needs of a community 24 hours a day, seven days a week. And hospital prices do not reflect important information from other key players, such as the price of physician care while in the hospital or how much of the cost a patient's insurance company may cover.

But more can – and should – be done to share health care information, including, but not limited to, hospital pricing information with the public.

Hospitals are committed to strengthening the health care system – and the communities they care for – by sharing information about the quality of care and the price of services. Hospitals have taken the lead within the health care community in reporting quality information. Almost 4,000 hospitals already voluntarily participate in the Hospital Quality Alliance, the initiative to provide information to the public on the quality of care in America's hospitals.

And on April 29, the AHA Board of Trustees approved a policy regarding hospital pricing transparency. Our objectives are to present information in a way that:

- is easy to access, understand and use;
- creates common definitions and language describing hospital pricing information for consumers;
- explains how and why the price of patient care can vary;
- encourages patients to include price information as just one factor to consider when making decisions about hospitals and health plans; and
- directs them to more information about financial assistance with their hospital care.

The AHA believes that the path to price transparency has four parts. First, a requirement for states, working with state hospital associations, to expand existing efforts to make hospital charge information available to consumers. Many states already have mandatory or voluntary hospital price information reporting activities in place. An AHA survey found that 32 states currently have statutes requiring hospitals to report on hospital charges. Rhode Island's governor recently signed legislation regarding pricing transparency. Another six states have voluntary efforts in place; two more have plans to unveil hospital price Web sites later this year; and one more state – New Jersey – has begun work on a voluntary effort.

These state efforts vary, from making individual hospitals' list of master charges available to the public to making public pricing information on frequent hospital services and making information on all inpatient services available to the public.

Second, states, working with insurers, should make available in advance of medical visits, information about an enrollee's expected out-of-pocket costs. For individuals with health insurance, this information is generally provided after care is given via an "explanation of

benefits" or EOB. To help consumers know what their out-of-pocket costs will be, insurers could provide an "advance EOB." This information could be shared with the beneficiary either by phone or electronically. Aetna is currently piloting a project like this for physician services.

Third, more research is needed to better understand what type of pricing information consumers want and would use in their health care decision-making. We have learned much based on research as to what kind of information consumers are seeking regarding the quality of health care, but we know less about what they may want to know about pricing information. Consumers need different types of prices information, depending on whether and how they are insured. For example, a patient with traditional insurance that typically covers hospital services may want to know what the out-of-pocket costs would be for care at one hospital compared to another. But people with HMO coverage, who have agreed to use physicians and hospitals participating in the network, likely would have less need for specific price information.

Those with high-deductible plans or health savings accounts (HSAs), like other insured individuals, would also have more interest in what their insurer requires as out-of-pocket costs, as patients with high-deductible plans are responsible for the out-of-pocket cost of their initial care, up to their personal deductible.

For uninsured individuals of limited means, information should be provided directly by the hospital, after which the hospital can ascertain whether a patient may qualify for state insurance programs, free care provided by the hospital or other financial assistance. On May 1, the AHA released additional guidelines for hospitals in providing financial assistance for uninsured patients. Financial assistance from hospitals is not a substitute for federal or state efforts to provide or expand coverage to the uninsured. However, until we as a society provide health coverage for all individuals at or below the federal poverty level (FPL), the AHA recommends that hospitals provide services at no charge to uninsured patients whose income is below 100 percent of the FPL. For those individuals between 100 percent and 200 percent of the FPL, we recommend that hospitals charge uninsured individuals no more than the price paid to a hospital by a private insurer, or 125 percent of the Medicare rate for applicable services. For uninsured patients with incomes in excess of 200 percent of the FPL, hospitals may also consider offering financial assistance.

Finally, we all need to agree on consumer-friendly pricing "language" – common terms, definitions and explanations to help consumers better understand the information provided.

Hospitals are a critical component to the fabric and future of our communities. Providing understandable and useful information about health care costs is just one way that America's hospitals are working to improve the health of their communities. The AHA and its members stand ready to work with lawmakers on innovative ways to share information that helps consumers make better and smarter choices about their health care.